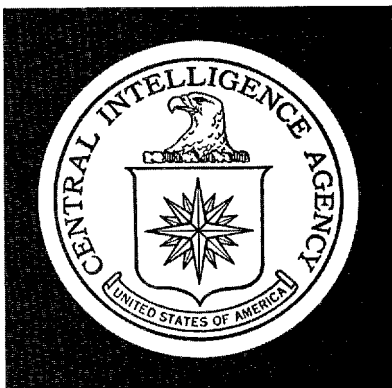


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State Dept. review completed

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[Vietnam: Military activity was light throughout South Vietnam on 14-15 November.

There were no significant actions initiated by the Communists from the Demilitarized Zone or against urban areas. A few minor Communist attacks were reported elsewhere, but most clashes occurred as a result of allied initiatives.

* * * *

Hanoi has brushed off US charges of Communist violations of the Demilitarized Zone with the line that the bombing halt was "unconditional." The North Vietnamese spokesman in Paris made some pro forma remarks about the US charges and called "attention" to recent US artillery and naval bombardment in the Demilitarized Zone. His relatively mild treatment of this issue, along with the lack of any blatant Communist shellings from the zone since 10 November, suggests that Hanoi does not want frictions in the zone to block the next steps in Paris. [REDACTED]

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Czechoslovakia: Dubcek tried to steer a moderate course in his speech to the central committee on 14 November, but he probably satisfied neither the Czechoslovak population nor Moscow.

Dubcek implied that the "class struggle" would have to be reopened because the present fight against "antisocialist forces" has a "class content." In another indication of retreat from liberalism, Dubcek said that the leading role of the party must be reasserted throughout society, and stressed particularly its application in mass media, and in the work of the multiparty National Front. He also indicated that pro-Soviet conservatives will be given an opportunity to assume top positions in the leadership if they correctly carry out party tasks. There may be other basic changes in his attitude which are not yet apparent. Only a partial text of his speech is available so far.

At the same time, Dubcek sought to mollify the populace by calling for continuation of the economic reform program, improved living conditions, the rehabilitation of former political prisoners, and for guarantees of fundamental civil liberties and of equality between the Czechs and Slovaks.

After Dubcek spoke, over 140 of the 190 central committee members indicated that they too would like to address the plenum. Some party officials reportedly have called for a wide open debate without setting time limits on the speeches--which means that the plenum could conceivably drag on into next week. There may be added confusion as a result of the fact that the draft document now before the central committee was revised after its circulation among regional and district party officials earlier this month.

The membership of the central committee is heavily weighted with reformers and moderates. It is most unlikely, therefore, that it will adopt a party program as retrogressive as the conservatives would wish--even though Dubcek's address indicates there will be significant departures from his liberal reform program.

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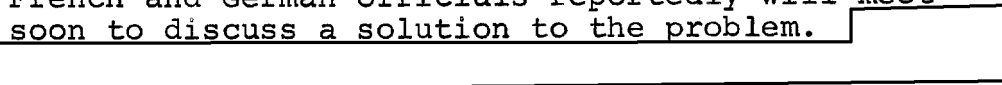
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France: The new monetary measures Paris has announced have so far failed to restore confidence in the franc.

Renewed pressure on the franc beginning early this month led Paris on 12 November to raise the discount rate, to increase the reserves required of commercial banks, and to limit credit expansion. The pressure arose from persistent flight of capital, fears of domestic inflation and, most important, new and stronger rumors that the West German mark may be revalued upward. The immediate reaction to the new measures, both in France and abroad, has been negative.

The government has been concerned over the stability of the franc since the student and labor crisis last spring. Capital flight and reserve losses have been continuing at a high rate, although below that of last summer. France has about \$4.2 billion in gold and foreign exchange reserves, \$2.6 billion less than it had in May. De Gaulle remains adamant in his opposition to devaluation and may approve even stricter controls in defense of the franc.

A West German revaluation would take much, if not all, of the pressure off the franc. The two countries appear to have been delaying, each hoping the other would take the necessary corrective move. French and German officials reportedly will meet soon to discuss a solution to the problem.



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Communist China: A crash effort to transfer school-age youth in cities to rural areas is causing social disruption in Kwangtung.

This reflects radical Maoist edicts to "reform education" by requiring students to obtain extensive "work experience." Local authorities support the policy of dispersing students--most of whom engaged in factional activity during the Cultural Revolution--in the interest of maintaining order. [REDACTED]

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[REDACTED] in Canton alone 300,000 students--a majority of the student population above elementary school--were to be sent to the countryside, and that on 5 November a rally was held in Canton to send off a group of 60,000 high school "graduates." These are students who were prevented from graduating in 1966, 1967, and 1968 by the Cultural Revolution.

These moves have produced resistance. [REDACTED] distraught parents screaming and protesting as trucks hauled their children away. One mother who openly denounced Chairman Mao was promptly arrested. In another incident, university students who protested their forced withdrawal from school were also immediately taken into custody.

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The students are being sent to nearby communes that are incapable of handling a large influx, or to larger but more distant army-run state farms. The worst potential troublemakers--members of a radical Red Guard organization--have been assigned to state farms on Hainan Island or in remote border regions. Earlier in the Cultural Revolution, members of this organization often clashed with peasants, who generally sided with more conservative groups.

Serious friction between commune members and even the more moderate but unwanted outsiders is almost certain to develop. [REDACTED] farmers have protested that the new arrivals do not know

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farming techniques, refuse to listen to their involuntary hosts, and place a heavy burden on the communes' housing and food supplies. An unauthorized flow of students back to the cities will probably occur on a large scale, especially after the fall harvest.

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Western Europe: The US demarche in the various European Communities (EC) and European Free Trade Association (EFTA) capitals earlier this week may discourage any early move toward a preferential trading arrangement between the EC and other European countries.

The Germans, who have claimed that such an arrangement is the only alternative to a continued impasse on Britain's application for EC membership, have reiterated their support for the proposal on this basis. Nevertheless, they appear to be concerned by the vigor of US opposition and presumably will take it into account if they pursue the proposal. The French, who were the formal authors of the proposal offered at the EC Council meeting on 5 November but whose real interest in it is questionable, may be content to let the matter die, arguing that the US has prevented any possibility of progress.

Those who have opposed this kind of arrangement from the beginning as a diversion from the real issue of Britain's membership are obviously pleased that US opposition has helped their cause. The British, Irish, Dutch, and Belgians have commented to this effect. A Luxembourg official, however, considers the proposal a first step toward eventual British membership.

A further airing of sentiment regarding the proposal will come next week at the EFTA Council meeting. Britain has been worried that those EFTA countries that do not want membership in the EC will exert pressure on London to consider accepting the commercial arrangement, and some of them--Switzerland, Sweden, and Austria in particular--will probably do so. The two EFTA members that have applied for EC membership--Norway and Denmark--have made it clear, however, that they are not interested in the commercial agreements "alternative." [redacted]

[redacted]

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East Germany - Berlin: The East German parliament met yesterday but apparently took no steps affecting West Berlin access. Reports of the session indicate that it was confined to routine matters, including the ratification of a friendship treaty with Mongolia, reports from government delegations that visited Latin America, and the approval of various "innocuous ordinances." Since the parliamentary session was to last only one day, it would appear that action against the city will not be taken--at least for the time being. [REDACTED]

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Venezuela: Venezuelan military forces are anticipating a spurt in guerrilla activity prior to the general election on 1 December. Troops have been put on the alert and some units have been deployed along the coast in western Venezuela to thwart expected landings by Cuban-trained guerrillas. Government forces continue to clash with guerrillas in the east, and there are reports that terrorists plan to launch a campaign of violence in the west soon to disrupt the electoral process. Isolated incidents can be expected to increase, particularly in the rural areas, when army units are shifted to major urban centers later this month to protect polling places. [REDACTED]

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Communist China: Communist China has contracted to purchase 1.5 million tons of Canadian wheat for delivery between December and July 1969. Although this is the first contract concluded by China for grain imports in 1969, Sino-French wheat negotiations are now under way in Peking. Negotiations with Australia--the third major supplier of grain--are not known to have begun. [REDACTED]

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